

# Issue Brief – Federal Maintenance of Effort Requirements

NUMBER HHS-05-26

## **SUMMARY**

Two federal block grants in the Division of Substance Abuse and Mental Health require what is called a “Maintenance of Effort” (MOE). If it does not meet its MOE requirement, the State will see a dollar for dollar reduction in the federal grants equal to the amount the State is below its MOE requirements, which total \$1,111,100. These reductions would occur in the Federal Fiscal Year 2005. The Department has filed a request with the federal Department of Health and Human Services for an exception from these penalties based on economic conditions in the state during the past few years and based on material compliance. As of this writing, the federal HHS has not acted on that request.

## **OBJECTIVE**

The Department has requested FY 2005 supplemental funds to replace the potential loss of federal funds and maintain current program levels. MOE will not be a problem in the FY 2006 year.

## **DISCUSSION AND ANALYSIS**

### ***Mental Health Block Grant***

Each fiscal year the State must maintain its State funding for programs funded by this grant not less than the average level of such expenditures for the two state fiscal years preceding the fiscal year of the grant. The State’s support for mental health programs has been reduced over the past few years due to the recent economic downturn and State revenue shortfalls. For Federal Fiscal Year (FFY) 2005 this block grant, estimated at \$3,121,200 for State Fiscal Year (SFY) 2005, will see a reduction of \$745,400 (about 25%). This is equivalent to the drop below the required State MOE.

About 70% (about \$2.2 million) of this grant is passed through to the local mental health centers. Another \$817,000 is used for specific state and local programs that are not allocated through the standard distribution formula for local mental health support. The balance (about \$150,000 or 5%) is used for administrative costs in the Division.

### ***Substance Abuse Prevention & Treatment Grant (SAPT)***

As with the Mental Health Block Grant, the State must comply with an MOE calculated in the same way as the Mental Health Block Grant based on the previous two fiscal years. Again, budget reductions over the past several years have resulted in a shortfall of the required MOE of \$365,700. This is about 2.2 % of the SFY 2005 grant amount estimate of \$17,219,700.

The Division passes through to the local substance abuse authorities about 84% (about \$14.5 million) of the total grant award. These funds are used by the local counties for treatment and prevention services. About \$2 million of the grant is used for statewide substance abuse prevention and education programs, research, drug courts, and some treatment programs for people in the corrections system. The balance is used for administrative purposes in the Division.

## **LEGISLATIVE ACTION**

The subcommittee will consider this budget issue along with other issues heard during the subcommittee’ budget hearings and may prioritize this issue along with others.